

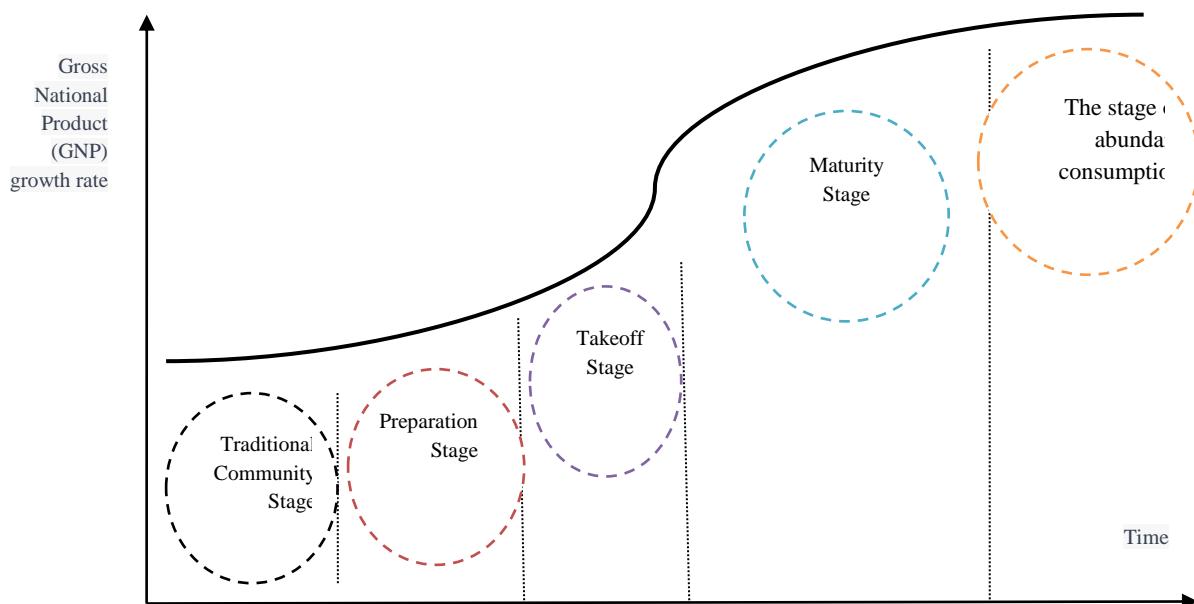
## Chapter Three: A Review of Economic Development Theories.

Most of the theories of development emerged after World War II and in the 1950s, following increased interest in issues of underdevelopment and development as a result of the growing movements for national liberation and political independence of formerly colonized countries. These theories focused on how to address the following fundamental problems: poverty, underdevelopment, and dependency. Additionally, they were influenced by the attention given to development issues by the United Nations and international conferences. Therefore, this study will be limited to examining and analyzing theories of development from the perspectives of economists, administrators, and sociologists, as follows:

### **Rostow's Stages of Growth Theory:**

Rostow's theory, introduced by the economic historian Walt W. Rostow, is considered one of the most prominent contributions that emerged in the early 1960s. According to this theory, which gained recognition in academic circles after Rostow published his famous book "The Stages of Economic Growth: A Non-Communist Manifesto" in 1960, the transition from underdevelopment to development can be described based on a series of stages that all countries are assumed to pass through.

Figure: Growth stages of Rostu



This theory considers that underdevelopment is merely a temporal delay. According to this theory, growth consists of specific stages that follow each other in a pure chronological sequence, where each stage automatically paves the way for the next stage. Rostow distinguishes these stages based solely on their quantitative and technological characteristics.

**1-1- Characteristics of Rostow's stages of growth:** Each stage of these stages is characterized by specific features that reflect the extent of achievements made by societies in their progress in economic and non-economic fields.

**First: The stage of traditional society:** In this stage, the country is economically underdeveloped, and its national economy is characterized by a traditional agricultural nature. Its inhabitants rely on primitive means of production, and the family or clan system plays a major role in its social organization.

This stage is characterized by:

- The stagnation and stability of society due to its traditional and conservative political system and its economic system based on primitive and underdeveloped production methods that primarily rely on human labor.

- The society allocates a high proportion of its resources to agriculture due to the difficulties facing agricultural productivity growth.
- The main objective of production is for family consumption rather than the market. This is in addition to the dominance of the sectoral system, given the concentration of agricultural land ownership in a limited number of large landowners, resulting in the absence of central authority in rural areas.
- This stage is characterized by a lack of savings or investment that is insufficient to build and finance capital assets.

These features reveal that the society is incapable of achieving sustained increases in living standards. Rostow provided examples of countries that have passed through this stage of economic growth, such as China, Middle Eastern countries, countries in the Mediterranean Basin, and some European countries in the Middle Ages. Rostow believes that this stage is usually relatively long and characterized by extreme slowness.

**Secondly, the stage of preparation for takeoff:** It is a stage of laying the foundations for development, starting with the success of some pioneers who break away from traditional thinking and advocate for the adoption of revolutionary organizations. Productive activity and the structure of the state change, working to eliminate traditional conditions and systems. The scope of foreign and domestic trade expands, and investment volume increases. This stage is considered a transitional stage that includes:

- Increasing investments in the economic infrastructure, especially in the field of education and training.
- Utilizing modern production methods in agriculture to increase productivity and provide economic incentives to farmers for production aimed at the market. This is achieved by reevaluating old systems of agricultural ownership, as well as connecting rural areas to urban centers through a network of roads to facilitate the transportation and marketing of agricultural products in urban areas. This reflects on reducing production costs and increasing the income of farmers, thereby increasing their demand for consumer goods.
- Increasing industrial production to locally provide these goods instead of importing them from abroad. In other words, the process of economic interdependence between the agricultural sector and both the industrial and service sectors begins.

- Gradual and continuous reduction in the percentage of employment in the agricultural sector due to the migration of workers from rural areas to urban centers to take advantage of new job opportunities and higher wages.
- Increasing the role of commercial banks and financial intermediaries in financing and supporting the expansion of industrial and service activities.
- Activating the role of the ruling elite or political leadership in creating the suitable conditions for the continuity of the development process, with an emphasis on instilling and deepening a sense of national belonging and mobilizing popular support for development goals and sacrificing to achieve them.

Rostow also provided examples of countries that have actually passed through this stage, such as Germany, Japan, and Russia.

**Third: Launch Phase :** The launch phase is a critical and challenging stage, characterized by complexity. It allows the society to remove all obstacles that hinder its regular growth, and the economy becomes naturally inclined towards continuous development. The political and social entity of the state grows, and it is expected to experience a strong push, whether through a political, technological, or scientific revolution that eliminates stagnation and failure factors, establishing new economic, social, political, and cultural systems that stimulate economic activity in all its variables: savings, investment, national and international markets.

This phase, according to Rostow's belief, is relatively short, ranging from 20 to 30 years. During this period, the economy undergoes a significant transformation that enables automatic growth. It is considered one of the most difficult stages among the five stages of growth. The investment rate increases from 5-10% of the net national income. Real per capita production increases, and the production techniques used undergo changes. It can be said that the takeoff is ultimately an industrial revolution that creates radical changes in production methods. New industries grow rapidly, generating profits that can be reinvested in other industries, resulting in further expansion of projects.

**Fourth: Maturity Phase :** In this phase, society matures intellectually and artistically. It is a relatively long stage of continuous growth. Rostow defined the time required for a society to transition from the launch phase to the stage of economic maturity as 60 years.

During this phase:

- Wages tend to increase.
- State legislation is modified.
- The number of intellectual, artistic, and cultural classes increases, and rapid and balanced growth is achieved in all economic sectors.
- Investment rates rise, and national production increases at rates surpassing population growth.
- The engineering foundation is established for designing and manufacturing industrial and agricultural machinery, electrical devices, and electronics.
- Exports of industrial goods increase, and the utilization of technological advancements expands in all areas of daily life, especially in schools, universities, training centers, and research institutes.
- Leading industries emerge as part of the new growth process, such as engineering and chemical industries.

At the end of this stage, society exhibits three fundamental aspects: a) Changes in the workforce structure and its skill level, where the agricultural labor force decreases to 20% after being 75% during the preparatory stage for takeoff, and reaching 40% at the end of the launch phase. b) Changes in the nature of leadership, shifting from project owners to managers and organizers. c) Intellectual change within society, as it may experience some indifference and lack of enthusiasm towards the industrial achievements.

**Fifth: The Stage of Abundant Consumption** The country reaches an advanced stage of economic growth, where its production exceeds its needs. This is reflected in the increase in average individual income and, consequently, the rise in average consumption of consumer goods, especially durable goods. The proportion of urban population increases compared to the total population, leading to an increase in the number of people employed in administrative and commercial work. Intellectual, literary, and artistic production of society also increases. The society shifts towards improving the quality of life by achieving social welfare and preserving the environment from pollution, rather than focusing solely on material prosperity.

#### **Critique of the Theory:**

In criticizing this theory, some people note the following points:

1. Its severe limitation in explaining underdevelopment. Rostow excluded the analysis of the economic and social system, focusing only on capitalism. He also disregards global and local forces that hinder the process of productive forces' growth.
2. Some criticize Rostow's approach to analysis as being mechanistic and static in linking economic variables. Therefore, the stages theory cannot be considered a convincing theory for explaining the state of economic underdevelopment. Underdeveloped countries are not all uniformly backward along the continuum. Some of them have experienced periods of prosperity, economic, social, and cultural development in the past. However, these countries have entered a stage of stagnation and inertia. Thus, the causes of underdevelopment are fundamentally historical. Rostow's belief that the developmental experiences of countries are separate from each other is not entirely accurate. Underdevelopment is merely a reflection of an environment, some of which includes colonialism.
3. One of the shortcomings of this theory is that it presents the passage through all the stages as inevitable. In reality, stages can overlap, and Rostow specified certain investment ratios for transitioning from one stage to another. However, these specified ratios are not accurate because one of the fundamental challenges faced by developing countries is to mobilize domestic and foreign savings to attract sufficient investment for accelerating economic growth. On the one hand, having more savings and investment is necessary, but not sufficient, to expedite economic growth.
4. Some of the underlying assumptions of the theory are not suitable for the actual conditions of developing countries, especially the least developed ones. The theory originated in different circumstances, and the organization within these countries is diverse. They require complementary factors such as administrative efficiency, skilled labor, planning capability, and broad administrative coordination for development projects. These are complementary requirements for the growth process that the least developed countries lack. Also, considering development as a one-size-fits-all approach for all countries is contrary to reality. The conditions that prevailed in the past may not necessarily prevail in the future, and not all countries may face the same conditions to the same degree.